



**Colorado Public Employees' Retirement Association
Board Meeting Minutes**

**Raymond "Doc" Heath Memorial Boardroom
1301 Pennsylvania Street
Denver, Colorado
June 21, 2019
8:00 a.m.**

Trustees Present: Timothy M. O'Brien, Chairman, Marcus Pennell, Vice Chairman, Ramon Alvarado, William Bain, Thomas Barrett, Guillermo Barriga, Julie Friedemann, Roger Johnson, Suzanne Kubec, Robert Lamb, Tina Mueh, Susan Murphy, Bill Parker via conference call, Dave Young

Trustees

Absent: Amy Grant, David Hall

Staff Present: Ron Baker, Kevin Carpenter, Adam Franklin, Tara May, Amy C. McGarrity, Brenda Meidl

Timothy M. O'Brien, Chairman, called the meeting to order at 8:02 a.m.

Approval of Consent Agenda

A motion was made by Roger Johnson and seconded by Thomas Barrett that, "*the Board of Trustees approve the Consent Agenda as published with the following items:*

- *Approval of Agenda*
- *Approval of March 15, 2019, Board Meeting Minutes (Tab A)*
- *Approval of April 3, 2019, Special Board Meeting Minutes (Tab B)*
- *Divestment From Companies With Prohibitions Against Israel Report (Tab C)*
- *Resolution for Signature Authorization (Tab D)*"

The motion was approved.

Public Comment

There was no public comment.

Proclamation—Robert Lamb

Marcus Pennell, Vice Chairman, read the following Proclamation:

Whereas, Robert Lamb served as a Trustee on the Board of the Public Employees' Retirement Association of Colorado (PERA) from November 2015 through April 2019; and

Whereas, Bob was first appointed to a vacant Trustee seat in November 2015 and was subsequently elected in 2016 and 2018 by Local Government Division members; and



Whereas, during his time on the Board, Bob served as Chair of the Audit Committee, and as a member of the Benefits, Compensation and Budget, and Evaluation Committees; and

Whereas, Bob demonstrated his dedication and passion for the membership during deliberations of the Board; and

Whereas, Bob will be remembered for his skilled financial analyses and governmental accounting insight, as well as his sense of humor and infectious laugh; and

Whereas, Bob embodied the highest qualities of a Trustee and earned the admiration and esteem of the PERA Board members and staff; and

Whereas, Bob's term on the Board of Trustees of PERA ended in April 2019; now, therefore, be it

Resolved, that with the highest level of appreciation and congratulations, the Board of Trustees of Colorado PERA formally recognize and thank Bob Lamb for his service to the membership of Colorado PERA during his time as a member of the Board of Trustees, and wish him well as he leaves the PERA Board; and

Resolved, that a copy of this Resolution be placed in the official minutes of the June 21, 2019, PERA Board of Trustees meeting.

A motion was made by Marcus Pennell and seconded by Susan Murphy that, "*the foregoing proclamation be approved.*" The motion passed.

David Young and Tina Mueh joined the meeting at 8:07 a.m.

Timothy M. O'Brien, Board Chair, announced that this was Trustee William Bain's last meeting, as he did not run for re-election. Mr. O'Brien thank him for serving on the Board.

In addition, Mr. O'Brien welcomed Cheryl Patelli, who was in the audience and would be officially appointed to the PERA Board of Trustees Local Government seat later in the meeting. Mr. O'Brien also welcomed Rebecca Freyre, Judicial Division, her term begins July 1, 2019.

Investment Performance Report

Amy C. McGarrity, PERA Chief Investment Officer, introduced John Lee, Aon, Partner, Katie Comstock, Aon, Senior Consultant, and Laura Flaum, Aon, Senior Consultant. The Aon team reviewed the Investment Performance Report presentation, which was transmitted to Trustees as Tab F. Ms. Comstock, Ms. Flaum, Mr. Lee, and Ms. McGarrity responded to questions.



Actuarial Valuation

Kim Nicholl, Segal Consulting, Senior Vice President, and Consulting Actuary, Brad Ramirez, Segal Consulting, Vice President and Consulting Actuary, and Melissa Krumholz, FSA MAAA, Senior Health Consultant reviewed the presentation of the Actuarial Valuation Report, which was transmitted to Trustees as Tab G1. Ms. Nicholl and Mr. Ramirez responded to questions.

Release of 2018 CAFR

David Hall, Chairman, Audit Committee, was unable to participate in the day's meeting. Timothy M. O'Brien, handled this item.

Mr. O'Brien moved that the Audit Committee recommends that, "*the Board authorize the release of the 2018 Comprehensive Annual Financial Report.*" The motion passed.

The Board recessed at 9:56 a.m. and 10:07 a.m.

Strategic Plan Update

Tara May, PERA Chief Communications Officer, and James Chung, Reach Advisors, President provided an overview of member research related to the Strategic Plan. This information was transmitted as Tab I. Ms. May and Mr. Chung responded to questions.

Committee Reports

Executive Committee

Marcus Pennell, Vice Chairman, Board of Trustees, reported that the Executive Committee met on June 17, 2019, and approved the March 11, 2019, Committee Minutes. The Committee reviewed the February 28, 2019, March 31, 2019, and April 30, 2019, Unaudited Financial Statements and the March 31, 2019, April 30, 2019, and May 31, 2019, Budget Reports. They also reviewed the Board Expense Reimbursement Policy along with the agenda and schedule for the June 21, 2019, Board Meeting. A discussion ensued regarding the changes to the *Board Expense Reimbursement Policy*.

Mr. Pennell move that the Executive Committee recommends that, "*the Board of Trustees approve the changes to the Board Expense Reimbursement Policy as distributed to the Executive Committee on Tuesday, June 7, 2019, as Tab D.*" The motion was approved.

Ad Hoc Committee—Board Local Government Vacancy

Suzanne Kubec, Committee Chair, Ad Hoc Committee—Board Local Government Vacancy, Ms. Kubec reviewed the April 30, 2019, and May 14, 2019, committee meetings and respond to questions.

Ms. Kubec moved that "*the Ad Hoc Committee—Board Local Government Vacancy recommends to the Board of Trustees that Cheryl Pattelli fill the vacant Local Government Division Trustee seat until an election in the Local Government Division in 2020.*" The motion was approved.

Audit Committee

Timothy M. O'Brien for David Hall, Committee Chairman, reported that the Committee met the previous day and received a report on the results of the financial audit conducted by the State Auditor's office through Clifton Larsen Allen.

Mr. O'Brien moved that, *"the Audit Committee recommends that the Board of Trustees approve the Audit Committee Charter changes as shown in Tab E1 of the Audit Committee materials dated March 14, 2019."* The motion was approved.

Mr. O'Brien moved that, the Audit Committee recommends that, *"the Board of Trustees approve the Governance Manual changes as shown in Tab E2 of the Audit Committee materials dated March 14, 2019."* The motion was approved.

Benefits Committee

Suzanne Kubec, Committee Chair, provided information regarding the following motion that was approved at the March Benefits Committee meeting.

Ms. Kubec moved that the Benefits Committee recommends, *"that the Board of Trustees approve the recommendation to modify the Voluntary Investment Program (401(k) Plan), Deferred Compensation Plan (457 Plan) and Defined Contribution Retirement Plan (DC Plan) Statement of Investment Policy as shown in Tab D2 of the Benefits Committee materials dated March 14, 2019."* The motion was approved.

Ms. Kubec reported the Committee met the previous day. The Committee received an updated regarding the disability program. In addition, the Committee received information regarding proposed amendments to the 401(k) and 457 Plan documents.

Ms. Kubec moved that the Benefits Committee recommends, *"that the Board of Trustees approve the revisions to PERA's 401(k) and Defined Contribution Plan and Trust Document and PERA's 457 PERA Deferred Compensation Plan as included in Tabs C1 and C2 of the Benefits Committee materials dated June 20, 2019."* The motion was approved.

Ms. Kubec reported that the Committee was provided a presentation regarding Health Purchasing Alliance, presented by Michael Conway, Colorado Insurance Commissioner with the Colorado Department of Regulatory Agencies and Robert Smith, Executive Director with the Colorado Business Group on Health. Following this presentation the Committee received an update regarding the Capital Accumulation Plan (CAP) and a presentation of the results of the Membership Survey/Feedback. Finally, the Committee received an update regarding the PERACare program.



Evaluation Committee

Timothy M. O'Brien, Chairman, Board of Trustees, reported that the Committee met the previous day. The Committee reviewed and approved the Executive Director Performance Evaluation Process.

Shareholder Responsibility Committee

Guillermo Barriga, Committee Chairman, reported that the Committee met the previous day and approved recommended changes to the securities litigation policy. In addition, the Committee received a corporate governance overview.

Stakeholder Relations Committee

In the absence of Amy Grant, Committee Chair, Trustee Julie Friedemann, reported that the Committee met the previous day and received information on the enhanced communication efforts related to PERA's financial report.

Legislative Update

Ron Baker, PERA Executive Director, and Tara May, PERA Chief Communications Officer, provided an overview of legislative activity at the federal and state level.

Staff Reports

Executive Director Report

Ron Baker, PERA Executive Director, reviewed the Executive Director's Report and responded to questions. This presentation was transmitted to Trustees as Tab F. Mr. Baker responded to questions.

Market & Portfolio Update

Amy C. McGarrity, PERA Chief Investment Officer, provided a *Market and Portfolio Update* presentation. The Investment Performance Report and presentation were transmitted to Trustees as Tabs G1 and G2.

General Counsel Update

Adam Franklin, PERA General Counsel, reviewed the General Counsel Report. The Report was transmitted to Trustees as Tab H1.

The Board recessed at 12:00 p.m. and reconvened at 12:36 p.m.

Investment Committee

Susan Murphy, Committee Chair, reported that the Committee met the previous day. The Committee was provided presentations from staff and Aon regarding Private Equity. In addition, the Committee was presented an update on the Stewardship report.

A motion was recommended by the Investment Committee and made by Ms. Murphy that, *“the Board of Trustees retain the following interim and long-term target allocations and target ranges originally effective July 1, 2016. The Total Fund Policy Benchmark and the Public Markets Benchmark will continue to reflect the interim allocation percentages. The Statement of Investment Policy and all other pertinent reports and documents will be updated as necessary:*

	Interim Target Effective July 1, 2016	Long-Term Target	Target Range
Global Equities	53.5%	53%	47% to 59%
Fixed Income	23.5%	23%	18% to 28%
Private Equity	8.5%	8.5%	5% to 12%
Real Estate	8.5%	8.5%	5% to 12%
Opportunity Fund	5%	6%	0% to 9%
Cash	1%	1%	0% to 3%

The motion was approved.

A motion was recommended by the Investment Committee and made by Susan Murphy that, *“the Board of Trustees remove from its policies/restrictions the 25 percent maximum allocation limit for Fixed Income passive management adopted April, 2004, effective July 1, 2019.”* The motion was approved.

A motion was recommended by the Investment Committee and made by Susan Murphy that, *“the Board of Trustees remove from its Real Estate related investment policies/restrictions the following, effective July 1, 2019:*

- *Remove REITS and Mortgages from the Real Estate allocation (adopted April, 2005).*
- *The previous Stable sector will now be referred to as Core, the previous Enhanced sector will now be referred to as Value-added and the previous High Return sector will now be referred to as Opportunistic. International investments will be categorized as appropriate in Core, Value-added or Opportunistic (adopted January, 2011).*
- *The following risk constraints originally adopted January, 2011, and effective January 1, 2012:*
 - *The Core sector will constitute a minimum of 40 percent.*
 - *The Value-added sector will be unconstrained.*
 - *The Opportunistic sector will constitute no more than 30 percent.*
- *The following leverage constraints originally adopted January, 2011, and effective January 1, 2012:*
 - *The Core sector will have a maximum 40 percent loan to value.*
 - *The Value-added sector will have a maximum 65 percent loan to value.*

- *The Opportunistic sector will be unconstrained.*
- *Individual property leverage will be limited to 50 percent for the Core sector and 65 percent for the Value-added sector.*
- *Real estate debt orientated investments will now be permissible (originally adopted January, 2011)."*

The motion was approved.

A motion was recommended by the Investment Committee and made by Susan Murphy that, *"the Board of Trustees approve the amended resolution relating to investment confidentiality, as shown in Tab H of the Investment Committee materials dated March 14, 2019, effective June 21, 2019."* The motion was approved.

A motion was recommended by the Investment Committee and made by Susan Murphy that, *"the Board of Trustees approve that the investment approval process for Opportunity Fund strategies that include short selling be amended as follows, effective July 1, 2019:*

- *Strategies which employ shorting for hedging purposes are allowed, but such strategies shall limit shorting exposure to a maximum of 25 percent of a fund's most recent market value. Currency hedging is not included in this requirement and is permissible without restriction. Strategies which may exceed the 25 percent shorting limit must be approved by the Board of Trustees. This policy does not affect hedge fund strategies and strategies previously approved by the Board of Trustees."*

The motion was approved.

Asset/Liability Study

Amy C. McGarrity, PERA Chief Investment Officer, provided background of the agenda item and introduced John Lee, Aon, Partner, Phil Kivarkis, Aon, U.S. Director of Investment Policy Service, Richard Parker, Aon, Associate Partner, Katie Comstock, Aon, Senior Consultant, and Laura Flaum, Aon, Senior Consultant. Additionally, Ms. McGarrity provided information regarding asset/liability modeling, including the integration of long-term asset class volatility and return expectations. Mr. Lee and Mr. Kivarkis continued the presentation with background information on Aon's capital market assumptions while also responding to questions.

The Board recessed at 2:00 p.m. and reconvened at 2:10 p.m.

Board Planning Session

Timothy M. O'Brien, Chairman, asked if Trustees to send any items they would like to discuss at the Board Planning Session as soon as possible.



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Other Business

With no further business to discuss, Timothy M. O'Brien, Chairman, Board of Trustees, adjourned the meeting at 2:42 p.m.

2019 Board Meeting Dates

- Board Planning Session September 11-13, 2019
- November (14) 15, 2019

Respectfully submitted by

Brenda E. Meidl

Manager of the Executive Director's Office

Timothy M. O'Brien, Chairman, Board of Trustees

Ron Baker, Executive Director
Approval Date: September 13, 2019